



Farming is an inherently risky business, and farmers need tools to recover when accidents, crop loss, natural disasters, or possibly, market devaluation occur. Insurance can help farms and food businesses minimize liability, legal fees, possible business interruptions, and more. Insurance may be required by lenders and buyers. Knowing exactly what to insure, what types of insurance are available, what policies cost, and what level of coverage you need can be complicated, especially for diversified farms and smaller operations that blend business assets with home and personal property.

This fact sheet includes information on:

- Where to start.
- Commercial general liability insurance.
- Product liability insurance.
- Crop Insurance.

Where to Start

Identifying the real risks on your farm can help determine which insurance coverage you need. What are some worst-case scenarios that could happen on the farm? Which are most likely to happen? Conducting an assessment of the strengths, weaknesses, opportunities, and threats (SWOT) to the business can be a helpful place to start to identify which insurance will help manage the risks.

Insurance coverage can be found for nearly any farm activity. Costs vary, so it is wise to shop around for the insurance that best suits your needs. If your farming operation is very small, you may be able to simply add coverage to your homeowner's policy. If you are doing any sort of direct marketing off-farm, discuss precisely what your policy will and will not cover with a qualified insurance agent. Research whether farm insurance will be needed to cover barns, equipment, animals, or other farm assets. Consider vehicle insurance needs. Liability insurance protects from claims of damage or injury. Other insurance relates to crop or revenue loss. Cornell University Extension's "Guide to Farming: Farm Risk Management" fact sheet provides a summary table of many types of insurance.

Commercial General Liability Insurance

Commercial general liability (CGL) is a standard insurance that protects businesses from losses and lawsuits related to bodily injury and property damage that arise from general operations. Many wholesale buyers and farmers markets will require farms to carry a minimum level of commercial general liability insurance, often in the range of \$2 million to \$5 million. This type of insurance might meet the needs of many small and direct marketing farms.

Farmers Market Vendor Insurance. Most farmers markets in Washington require vendors to carry commercial general liability insurance. Farms selling at farmers markets should confirm their liability coverage includes business activities at the farmers market. If not, it may need to be added. In many cases, the market must also be listed as an "additional insured" on the vendor's policy, with the vendor's insurance covering legal and other expenses in the case of a claim. Some markets may also require farms to carry product liability insurance.

The National Farmers Market Coalition worked with a private insurance company to create a National Farmers Market Vendor Liability Insurance Program. It provides \$1 million per occurrence, with an annual aggregate limit of \$2 million in commercial and product liability for those who do not already have commercial general liability coverage. It includes coverage for all farmers markets at which a vendor sells, and automatically adds the market as an additional insured (for no extra charge). In 2019, the premiums typically cost between \$300 and \$550. Find more information at 800-730-7475 or visit campbellriskmanagement.com.

The Washington State Farmers Market Management Toolkit wafarmersmarkettoolkit.org provides more detailed guidance on farmers market related insurance. Look for Chapter 9 on "Legal and Regulatory Policy Issues."

RUNNING A SUCCESSFUL FARM BUSINESS

It is important to plan for risks and liability when inviting visitors on the farm. If your farm has a roadside stand, you may be able to include liability coverage for it in your overall farm policy whether or not it is on your property, but you must clarify this with your insurance agent. In specific instances, Washington State law limits the liability of farmers and landowners.

1. When the required warning notice is posted, an agritourism professional is not liable for unintentional injury or loss to agritourism participants resulting exclusively from any of the inherent risks of "agritourism activities" (specifically defined). (RCW 4.24.832). Please see the "Culinary and Agritourism" fact sheet for details.
2. When landowners invite the public, free of charge, onto their land "for the purpose of outdoor recreation (specifically defined)," the landowner is not responsible for unintentional injuries incurred by the users. (RCW 4.24.210). This law does not apply if a person is charged a fee to enter or make use of the land.

An "**endorsement**," also known as a rider, addendum, or attachment is an amendment or addition to an existing insurance contract that changes the terms or scope of the policy. An endorsement can add coverage for acts or things that are not covered as a part of the original policy and can be added at the inception of the policy or later during the term of the policy. An endorsement is simply the specific coverage that an underwriter has agreed to cover with a specified limit of liability, usually an amount greater than the insured's collective assets.

A general liability policy can have an event endorsement that extends coverage to injuries or mishaps that may occur when you invite the public onto your farm for activities not included in those statutes. All activities and events should be well defined within your coverage.

Product Liability Insurance

Product liability insures vendors from any claim made against them on the basis of their product. A claim may be about a foodborne illness or allergic reaction after eating or using a product, an injury from a foreign object like jewelry being swallowed or any number of scenarios. One of the main functions of this type of insurance is to cover your legal fees in contesting such claims.

Farm product liability insurance is sometimes included in or added to a farm's commercial general liability policy. Once a product is processed, and especially if it is sold directly to the customer rather than a wholesaler, it is usually no longer considered a product of the farm business and will require product liability insurance for coverage. Which products insurance companies will be comfortable or accustomed to insuring, either via the general liability policy or with a product liability policy, may vary by company. Some direct marketing farms may encounter some difficulty finding the insurance they want or need (e.g., farms raising and processing poultry themselves).



Once you have purchased a liability policy, remember to inform your agent anytime you make a change in your operation. Do not assume you will be covered for a new product or activity simply because it is a part of your operation or is similar to those for which you already have coverage. If an activity or product is not spelled out specifically in your policy, you are probably not covered.

Crop Insurance

Crop insurance is intended to protect farmers from financial distress resulting from crop loss or market failure. The USDA Risk Management Agency (RMA) manages a range of crop insurance programs that are offered through private insurance companies. Though often oriented to larger farms producing a limited number of commodities, there are crop insurance options for small and diversified farms raising a mix of produce, livestock, forage, and other crops.

Crop insurance generally falls into two categories; **yield insurance** and **revenue insurance**. Yield-based insurance protects farms against low yields due to production hazards. Revenue-based insurance protects against low revenues based on price drops in the market. Insurance is available to protect against specific yield-related hazards such as hail or through "multi-peril" plans that protect against a variety of perils such as adverse weather, fire, plant disease, insects, etc., and may also include some revenue protection.

Whole-Farm Revenue Protection insurance for direct marketing farms

Many direct marketing farms struggle to find insurance that makes sense for their farms. Whole-Farm Revenue Protection insurance, authorized in the 2014 Farm Bill, is designed to meet the needs of highly diverse farms that grow specialty crops, animal products and other products for sale to direct, local or regional, and farm-identity preserved markets.

As a revenue-based insurance, it allows diversified farms to insure **all** the crops they grow and livestock they raise with a single policy. It provides protection for expected revenue, basing coverage on the farm's historical revenue for the previous five years. Coverage levels offered range from 50-85 percent of insured revenue. There are provisions for beginning farmers and ranchers who may not yet have five years of documented farm revenue.

Find more information at the USDA RMA website, rma.usda.gov, by searching for "Whole-Farm Revenue Protection."

The Organic Farming Research Foundation has several helpful risk management resources online at ofrrf.org. Search for the helpful "Introduction to Crop Insurance" publication, which compares Whole-Farm Revenue insurance to other plans and includes tools for choosing the right insurance plans, worksheets, and directions for filing a claim.

RMA's online Agent Locator tool can help farms find nearby agents, or call USDA's RMA regional office in Spokane at 509-228-6320.

USDA disaster assistance programs

There are a variety of federal disaster assistance programs available to farmers. These include programs for farms affected by natural disaster events, including fires and storms. Specific programs offer disaster assistance for livestock, forage, honeybee, and farm-raised fish producers. Some programs have special provisions for beginning farmers, limited resource, or otherwise underserved farmers. Noninsured Crop Disaster Assistance Program (NAP) is a baseline catastrophic coverage program for producers who are not eligible for other crop insurance.

For more information, visit the USDA Farm Service Agency for information, fsa.usda.gov, and search for "Disaster Assistance Programs" or contact the FSA regional office in Spokane at 509-924-7350.



5. Licensing

8. Taxes

10. Labor on the Farm

14. Culinary and Agritourism